

# Economics

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Wednesday, October 15

## The Internet Boom

"The greatest legal creation of wealth in human history."  
-- Venture capitalist John Doerr (\$3.2B) about the 90's tech boom

### NASDAQ composite index



## US Economy

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An **economy** is a regional network of production, distribution, and consumption

In **Capitalist** economies, production & distribution are privately controlled for profit

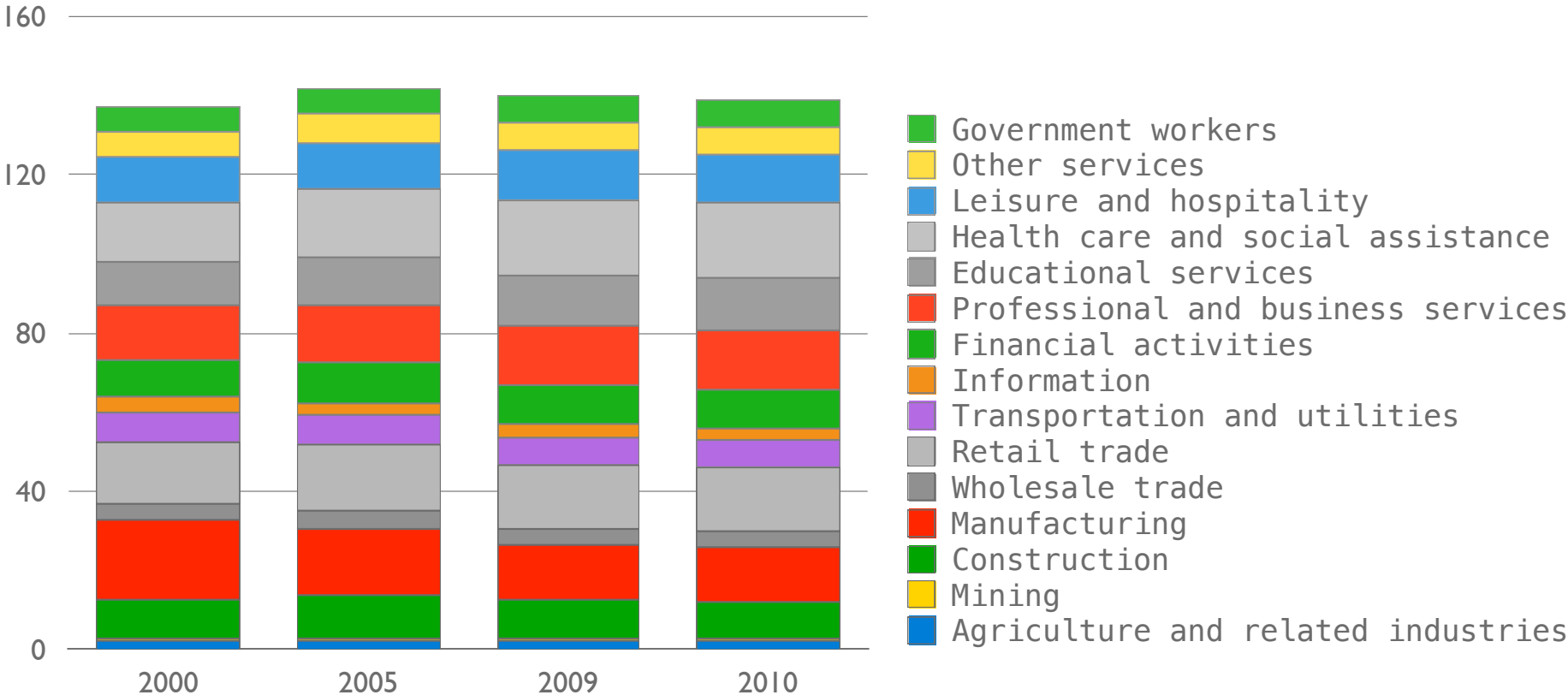
A type of economy determines both how goods are allocated and how decisions are made

A **market economy** is an economy in which decisions are dictated by markets (supply & demand)

A **free market** describes a market in which prices are set by consent among buyers & sellers

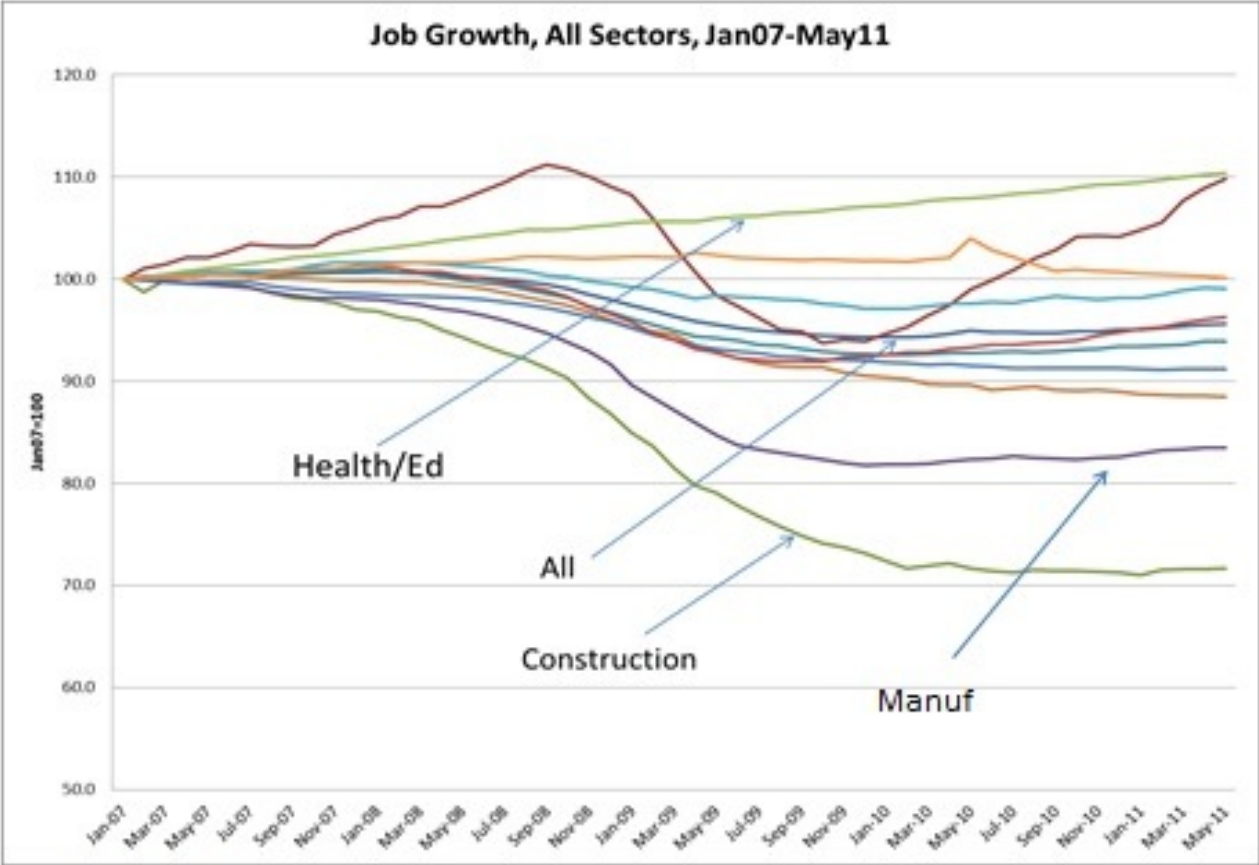
# How are Americans Employed?

**US Labor Force by Sector (Millions of people)**



<https://www.census.gov/compendia/statab/2012/tables/12s0620.pdf>

# How is the Labor Pool Changing?



Source: BLS

<http://www.washingtonpost.com/wp-srv/special/business/unemployment-where-are-the-jobs/index.html>

## Organizations

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"First, most producers are employees of firms, not owners. Viewed from the vantage point of classical [economic] theory, they have no reason to maximize the profits of firms, except to the extent that they can be controlled by owners.

"Moreover, profit-making firms, nonprofit organizations, and bureaucratic organizations all have exactly the same problem of inducing their employees to work toward organizational goals. There is no reason, a priori, why it should be easier (or harder) to produce this motivation in organizations aimed at maximizing profits than in organizations with different goals.

"If it is true in an organizational economy that organizations motivated by profits will be more efficient than other organizations, additional postulates will have to be introduced to account for it."

*Simon says:*

The US is an organizational economy

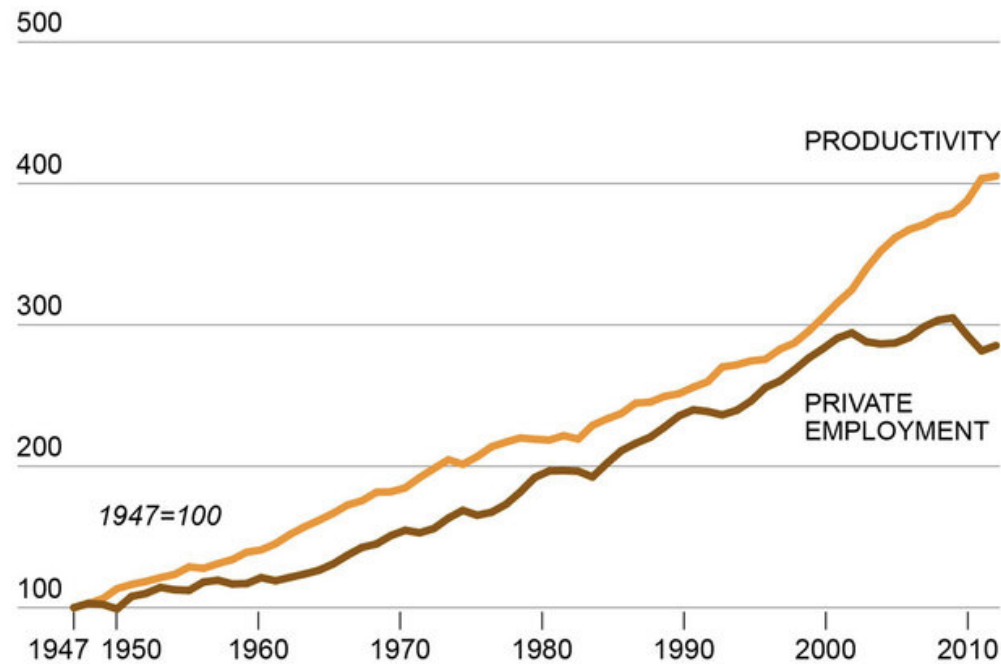
Total employment (2010): **139.1 million**

Self employment (2010): **9.6 million**

## Labor and Output

For the first time, worker productivity and total employment are not positively correlated

**Productivity and employment in the United States, 1947-2011**



Sources: U.S. Department of Labor, Bureau of Labor Statistics

<http://www.nytimes.com/2012/12/12/opinion/global/jobs-productivity-and-the-great-decoupling.html> <sup>7</sup>